

MACON COUNTY LIBRARY SYSTEM
MACON COUNTY LIBRARY BOARD FUNDS

Financial Statements

For the Year Ended June 30, 2009

MACON COUNTY LIBRARY SYSTEM – MACON COUNTY LIBRARY BOARD FUNDS

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INTRODUCTORY SECTION

MACON COUNTY BOARD OF LIBRARY TRUSTEES
2008/2009

James Ralph Howser, Chairman
802 Sylvian Drive
Lafayette, TN 37083
615-666-2333 w; 6444 h; 2202 fax
572-6708
Term expires 6/30/11

Frances Darnell, Vice Chair
7208 Scottsville Road
Lafayette, TN 37083
615-666-2547; cell 633-7456
Term expires 6/30/10

GeorgiaAnn Boles, Secretary
631 Bethany Road
Red Boiling Springs, TN 37150
615-699-3202
Term expires 6/30/10

Mike Wells, Treasurer
621 Hwy. 52 Bypass E.
P.O. Box 157
Lafayette, TN 37083
615-666-4565; fax 4775
Term expires 6/30/09

George McCrary
819 Lafayette Road
Red Boiling Springs, TN 37150
615-699-2705; 888-6448
Term expires 6/30/11

Nancy Doss
762 Poplar Grove Road
Westmoreland, TN 37186
615-644-5179
Term expires 6/30/11

Betty M. Scott
4233 Green Grove Road
Hartsville, TN 37074
615-655-5420
Term expires 6/30/09

Regional Board Members:
Frances Darnell, George McCrary
Regional terms expire 6/30/11

Director:
Julia Burrow
311 Church Street
Lafayette, TN 37083
615-666-4340 w; 615-655-4740 h

Regional Director:
Jennifer Cowan-Henderson
Upper Cumberland Regional Library
208 East Minnear Street
Cookeville, TN 38501-3949
888-920-4016

Branch Library
335 East Main Street
Red Boiling Springs, TN 37150

Victoria Kindle
P.O. Box 544
Red Boiling Springs, TN 37150

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

To the Macon County Library Board
Lafayette, Tennessee

I have audited the accompanying financial statements of the Macon County Library System – Macon County Library Board Funds as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Macon County Library System – Macon County Library Board Funds' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial reporting as contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present only the Macon County Library System – Macon County Library Board Funds and do not purport to, and do not present fairly the financial position of the Macon County Library System or Macon County, Tennessee as of June 30, 2009, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Macon County Library System – Macon County Library Board Funds as of June 30, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 4, 2010 on the consideration of the Macon County Library System – Macon County Library Board Funds' internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

The audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Macon County Library System – Macon County Library Board Funds financial statements. The Financial Schedules as listed in the table of contents are not a required part of the financial statements. The Financial Schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

John R. Poole, CPA

February 4, 2010

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

Balance Sheet

June 30, 2009

Assets

Current Assets:

Cash and cash equivalents	\$40,269
Certificate of deposits	20,498
Total Current Assets	<u>60,767</u>

Total Assets	<u>\$60,767</u>
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Liabilities

Current Liabilities

Accounts payable	0
Total Current Liabilities	<u>0</u>

Fund Balance:

Reserved	2,159
Unreserved	58,608
Total Fund Balance	<u>\$60,767</u>

The accompanying notes are an integral part of these financial statements.

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

**Statement of Revenues, Expenditures
and Changes in Fund Balance**

For the Year Ended June 30, 2009

Revenues:

Donations	\$7,278
Fines and fees	12,168
Municipal contributions	3,500
State grant	2,500
Insurance reimbursement	7,572
Interest income	887
Total Operating Revenues	<u>33,905</u>

Expenses:

Books purchased	7,013
Furniture and fixtures	5,338
Supplies	669
Repair and maintenance	7,993
Professional services	1,000
Dues and fees	285
Travel	117
Library programs - children	854
Miscellaneous	2,091
Total Operating Expenses	<u>25,360</u>

Net change in fund balance	8,545
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Fund Balance, June 30, 2008	<u>52,222</u>
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Fund Balance, June 30, 2009	<u><u>\$60,767</u></u>
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The accompanying notes are an integral part of these financial statements.

MACON COUNTY LIBRARY SYSTEM – MACON COUNTY LIBRARY BOARD FUNDS

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The Macon County Library System – Macon County Library Board Funds (Board Funds) is a part of the Macon County Library System, which is a department of Macon County, Tennessee. Macon County, Tennessee has allowed the Macon County Library System – Macon County Library Board Funds to have authority over certain funds, primarily funds donated to the Library Board and earned from various fines and fees. The audit of the Macon County Library System – Macon County Library Board Funds presented here is only for those funds mentioned above. The Macon County Library System – Macon County Library Board Funds does not contain any of the capital assets of the Macon County Library System nor does it cover the significant costs (personnel, occupancy and books) of the Macon County Library System. Macon County, Tennessee provides for the personnel and occupancy costs and a majority of the book cost of the Macon County Library System.

Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the Board Funds' financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available for use, it is the Board Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposit accounts, certificates of deposit with original maturities three months or less. When both restricted and unrestricted resources are available for use, it is the Board Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Equity

In the financial statements, governmental funds report reservations of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MACON COUNTY LIBRARY SYSTEM – MACON COUNTY LIBRARY BOARD FUNDS

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies, Continued

Deferred Revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the deferred revenue is removed from the statement of net assets and revenue is recognized. There was no deferred revenue at yearend.

Budgets and Budgetary Accounting

The Library Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Library Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The budget amounts are not shown in the financial statements as these amounts were not approved by the County Commission which is required by Tennessee Code Annotated, and as such the Library does not have a legally adopted budget.

(2) Cash and Cash Equivalents

The Board Funds are authorized to invest funds in financial institution demand deposit accounts and certificates of deposit. During the year, the Board Funds invested funds that were not immediately needed in certificates of deposits and savings accounts. The Board has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Board Funds and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Board Funds' deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

(3) Risk Management

The activities of the Macon County Library System are covered under the insurance policies of Macon County, Tennessee. The Macon County Library System – Macon County Library Board Funds has no insurance for their activities. Based on discussion with Board Funds' management additional insurance coverage is not carried given their limited activities.

(4) Reserved Fund Balance

The library has reserved \$2,159 for the purchase of certain types of books.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

**Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds**

June 30, 2009

	Carrying Value
Cash and Cash equivalents	
Citizens Bank Board Account	5,451
Citizens Wootten Account	1,313
Macon County Chamberlain Account	846
Macon County Operations Account	32,659
Total Cash and cash equivalents	<u>40,269</u>
Certificate of Deposits	
Citizens Bank	10,498
Macon Bank and Trust	10,000
Total Certificate of deposits	<u>20,498</u>
 Total - All accounts	 <u><u>\$60,767</u></u>

MACON COUNTY LIBRARY SYSTEM - MACON COUNTY LIBRARY BOARD FUNDS

Schedule of State Financial Assistance

June 30, 2009

<u>Grantee</u>	<u>Grant Number</u>	<u>Amount</u>
State of Tennessee	Z-09217847	\$2,500

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Macon County Library Board
Lafayette, Tennessee

I have audited the financial statements of the Macon County Library System – Macon County Library Board Funds' as of and for the year ended June 30, 2009, and have issued a report thereon dated February 4, 2010. I conducted the audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the Macon County Library System – Macon County Library Board Funds' internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Macon County Library System – Macon County Library Board Funds' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

The significant deficiency is as follows:

Prior Year:

2006-1 Separation of Duties

Due to the limited number of personnel employed by the Library, several functions, which ideally should be performed by different individuals, are regularly performed by one person. I recommend that the Library strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible, however we are continuing to monitor office responsibilities and segregate duties as needed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Macon County Library System – Macon County Library Board Funds' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Prior Year:

2008-1 County Commission not Approved Budget

Tennessee Code Annotated requires that the Library funds budget must be approved by the County Commission. The funds reported in this report were not approved by the County Commission.

Recommendation: All Library funds should be approved by the County Commission.

Management Response: All Library funds budgets were approved by the Library Board which is appointed by the County Commission. Per Tennessee Code Annotated 10-3-104, the Library Board may receive donations, devises and bequests to be used by it directly for library purposes. Additionally, per resolution of the Macon County Commission February 28, 2005, the Library Board may continue to handle its non-appropriated funds in this manner providing an annual audit is supplied to the Commission.

Auditor's Conclusion: The auditor believes the Library is not in compliance with Tennessee Code Annotated.

Macon County Library System – Macon County Library Board Funds' response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

Jah R Poole, CPA

February 4, 2010